



Division of Fiscal Services
Telephone (619) 691-5550
FAX (619) 425-3394

MEMORANDUM

DATE: July 24, 2015

TO: Karen Janney, Superintendent

FROM: Karen Michel, Chief Financial Officer

RE: **SUPERINTENDENT'S UPDATE**
Status Update #2 on CFD Re-Distribution of Expenditures

The purpose of the memorandum is to provide you with an update on the Community Facilities District ("CFD") Re-distribution of Expenditures.

On June 26, 2015, a status update on CFD re-distribution of expenditures was provided as a Superintendent's Update (please see attached memo dated June 26, 2015).

Current progress is as follows:

As of July 23, 2015, the Facilities Finance Team has reviewed a total of 2,540 transactions - 1,569 revenue transactions and 971 expenditure transactions. This represents 100% of the expenditure transactions and 77% of the revenue transactions for existing CFDs from the period of July 1985 to June 1998. The table on the following page further details this information.

As explained in the previous update, the Facilities Finance Team summarized the transactions by preparing an Income Statement and Balance Sheet report for each fiscal year and each individual CFD. The report includes an "Adjustments Needed" section, where re-distribution of expenditures and revenue corrections are made. In addition, the Facilities Finance Team has scanned the documentation reviewed for future reference.

	Revenue	Transactions	%	Expenditure	Transactions	%
	Transactions	Reviewed	Reviewed	Transactions	Reviewed	Reviewed
Fiscal Years 1984-92						
CFD 1-5	522	522	100%	270	270	100%
Fiscal Years 1992-96						
CFD 1	186	186	100%	128	128	100%
CFD 2	149	149	100%	78	78	100%
CFD 3	155	155	100%	98	98	100%
CFD 4	142	142	100%	54	54	100%
CFD 5	155	155	100%	76	76	100%
CFD 6	4	4	100%	3	3	100%
CFD 7	43	43	100%	14	14	100%
CFD 8	74	74	100%	8	8	100%
Fiscal Years 1996-98						
CFD 1	114	114	100%	58	58	100%
CFD 2	91	In Progress	0%	32	32	100%
CFD 3	92	In Progress	0%	53	53	100%
CFD 4	82	In Progress	0%	27	27	100%
CFD 5	105	In Progress	0%	33	33	100%
CFD 6	25	In Progress	0%	8	8	100%
CFD 7	48	In Progress	0%	18	18	100%
CFD 8	25	25	100%	1	1	100%
CFD 9	12	In Progress	0%	3	3	100%
CFD 10	9	In Progress	0%	9	9	100%
TOTAL	2,033	1,569	77%	971	971	100%

In addition to the re-distribution of expenditures, the Facilities Finance Team has also worked on the implementation of the recommendations noted by the David Taussig & Associates (“DTA”) report entitled “Final CFD Revenue and Expenditure Review.”

DTA Recommendations:

- 1- School district reimburse CFD No. 1 for the non-CFD expense it incurred, and, as the school district reviews expenditures in detail to implement the Cost Allocation Plan, to reimburse the applicable CFDs for any other non-CFD expenses incurred. It is DTA’s understanding that the school district already has purchasing policies and procedures in place to properly account for expenditures; therefore, DTA recommends adherence to such policies and procedures in the future.

STATUS: The Facilities Finance Team has begun to flag and separately track expenditures that are not “normally” funded by CFDs. These expenditures will be reviewed with legal counsel and the district’s special tax consultant, Special District Financing & Administration (“SDFA”). Any expenditures that are determined to be non-CFD will be reimbursed.

- 2- Based on review of the fiscal year 2013-2014 special tax rates applied to each parcel, DTA believes that the special tax rates were accurately applied to the vast majority of parcels. DTA recommends that SDFA, upon reviewing and researching the parcel data for the eight (8) parcels with levy discrepancies, work with the school district to make necessary corrections for fiscal year 2015-2016 and future years.

STATUS: SDFA has confirmed that the eight (8) parcels with levy discrepancies have been corrected for Fiscal Year 2015-2016.

- 3- DTA recommends explicitly adding CFD formation costs and debt obligations to the Cost Allocation Plan, so that such items can be properly allocated. Finally, DTA recommends the school district implement the Cost Allocation Plan, with said additions, as soon as practicable, and adopt policies and procedures to properly implement the Cost Allocation Plan.

STATUS: Complete.

KM:cz

Attachment: (1)

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MEMORANDUM

DATE: June 26, 2015

TO: Dr. Karen Janney, Superintendent

FROM: Karen Michel 
Chief Financial Officer

RE: **SUPERINTENDENT'S UPDATE – Status Update on CFD Distribution of Expenditures**

The purpose of this memorandum is to provide you with CFD Distribution of Expenditures.

Status Update on CFD Distribution of Expenditures

On October 2, 2014, the Board of Trustees awarded Contract No. 45-2449-LB for community facilities district's (CFD) revenue and expenditure review, to David Taussig & Associates (DTA).

Beginning November 1, 2014, Finance staff along with the District's Special District Consultant worked with DTA to provide all necessary and requested information for the 27 year review.

On February 7, 2015, DTA presented their report and recommendations during a Board Workshop.

On February 23, 2015, the Board of Trustees accepted the David Taussig & Associates report entitled "Final CFD Revenue and Expenditure Review," and directed staff to implement the report's recommendations.

STATUS: As of June 25, 2015, the Facilities Finance Team has reviewed every revenue and expenditure transaction from July 1985 to June 1996. Quantified, that is a total of 1052 revenue transactions and 727 expenditure transaction, totaling 1,779 transactions. Each transaction was matched to archived supporting documentation and verified that it was recorded correctly. The Facilities Finance Team summarized the transactions by preparing an Income Statement and Balance Sheet report for each fiscal year and each individual CFD. The report includes an "Adjustments Needed" section, where re-distribution of expenditures and revenue corrections are made. In addition, the Facilities Finance Team has scanned the documentation reviewed for future reference.

DTA Recommendations:

- 1- School District reimburse CFD No. 1 for the non-CFD expense it incurred, and, as the School District reviews expenditures in detail to implement the Cost Allocation Plan, to reimburse the applicable CFDs for any other non-CFD expenses incurred. It is DTA's understanding that the School District already has purchasing policies and procedures in place to properly account for expenditures; therefore, DTA recommends adherence to such policies and procedures in the future.

STATUS: No transaction were noted as non-CFD expenses within the first 11 Fiscal Years.

- 2- Based on review of the fiscal year 2013-2014 special tax rates applied to each parcel, DTA believes that the special tax rates were accurately applied to the vast majority of parcels. DTA recommends that SDFA, upon reviewing and researching the parcel data for the eight (8) parcels with levy discrepancies, work with the School District to make necessary corrections for fiscal year 2015-2016 and future years.

STATUS: The Facilities Finance Team requested that the District's Special District Consultant (SDFA) review and correct the eight parcels with levy discrepancies.

- 3- DTA recommends explicitly adding CFD formation costs and debt obligations to the Cost Allocation Plan, so that such items can be properly allocated. Finally, DTA recommends that the School District implement the Cost Allocation Plan, with said additions, as soon as practicable, and adopt policies and procedures to properly implement the plan.

STATUS: The Facilities Finance Team has worked with the District's Special District Consultant to add formation and debt obligation expenditures to the CFD Cost Allocation Plan. The District has discussed re-distribution of expenditures with the external audit firm who agree the Cost Allocation Plan methodology is reasonable and equitable. The CFO plans to recommend the District implement an annual compliance audit of the CFD's (similar to the Prop O audit performed now).

Please let me know if you have any questions.

KM:cz